



United States Department of Agriculture
Risk Management Agency

June 2005

2005 COMMODITY INSURANCE FACT SHEET

Soybeans—Indexed Income Protection North Carolina

Crop Insured

Indexed Income Protection (IIP) coverage for soybeans is available in North Carolina and provides coverage against production losses and price declines.

Counties Available

This plan of coverage is available in all counties where the actual production history (APH) plan of insurance for soybeans is offered.

Causes of Loss

Adverse weather conditions¹
Harvest price less than projected price
Failure of irrigation water supply²
Insects³
Plant disease³
Fire
Wildlife

¹Natural perils including hail, frost, freeze, wind, drought, and excess moisture. ²If due to an insurable cause of loss. ³Does not include damage due to insufficient or improper application of recommended control measures.

Insurance Period

Coverage usually begins when the crop is planted and ends at the earliest of: (1) total destruction of the crop, (2) harvest of the crop, (3) final adjustment of a loss, (4) abandonment of the crop, (5) December 10 following planting.

Indexing

The IIP plan compares and indexes an individual's yields to the county yields for a base period of up to ten years. Indexing may result in the insurance yield being greater or less than the producer's actual average yield.

Important Dates

Sales ClosingFebruary 28, 2005
Acreage Report Date..... June 30, 2005
Final Planting Date June 20 or 25, 2005

Note: Consult a crop insurance agent for the specific final planting date in your county.

Definitions

Enterprise Unit— All acreage of your crop within the county, regardless of share (no basic or optional units)

Projected Price—The price that determines the dollar guarantee is the average of the daily settlement prices for Chicago Board of Trade (CBOT) November soybean futures contracts during the period January 15—February 14 of the crop year.

Harvest Price— The price that determines revenue-to-count and indemnity is the average of the daily settlement prices for CBOT November corn futures contracts during the month of October of the crop year.

Year	Projected Price	Harvest Price
2005	5.32	*
2004	6.57	5.26
2003	5.25	7.32

* Available in early November 2005

IIP Yield Determination Example—Soybeans

County Average Yield	Individual Average Yield	Year
26	28	2000
20	16	2001
22	15	2002
24	27	2003
28	19	2004
118	105	Total
÷ 5	÷ 5	No. Years
24	21	Avg Yld

Yield difference = 3

County average yield – individual average yield =
24 – 21 = 3

IIP approved yield = 25

Expected county yield (most recent county yield) – yield difference = 28 – 3 = 25

Note: Observe that the IIP approved yield in this scenario exceeds the grower's original average yield; however, this may not always be the case. Depending upon the situation, the IIP yield could possibly be less than the producer's average yield. Obtain guarantee and premium quotes for all plans (IIP, CRC, APH, RA, etc.) to determine which plan is most suitable for you.

Insurance Unit

Under the IIP plan, acreage may only be insured as an **enterprise unit**. An enterprise unit combines all your soybeans in the county into one county-wide unit, regardless of ownership, share, or rental arrangement.

Loss Example

This example assumes an IIP approved yield of 25 bu per acre, a projected price of \$6.00, and a harvest price of \$5.00.

25	Bushels per acre IIP approved yield
x .60	Coverage level
15	Bushels per acre guarantee basis
x \$6.00	Projected price/bushel (2004 price)
\$90	Dollar guarantee per acre
– \$50	Revenue-to-count (10 bushels per acre produced x \$5.00 harvest price)
\$40	Indemnity per acre
– \$4	Estimated cost to producer per acre
\$36	Net indemnity per acre

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